

*United States Senate*  
*Committee on Finance*



*Sen. Chuck Grassley • Iowa*  
*Ranking Member*

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MEMORANDUM

To: Reporters and Editors  
Fr: Jill Gerber for Sen. Grassley, 202/224-6522  
Re: IRS report on tax-exempt hospitals  
Da: Thursday, Feb. 12, 2009

Sen. Chuck Grassley, ranking member and former chairman of the Committee on Finance, with Senate jurisdiction over tax policy, has been reviewing tax-exempt hospitals' practices since May 2005 as part of a longstanding interest in making sure tax-exempt groups provide adequate public benefit in exchange for their extensive tax breaks. He began with a letter to 10 of the nation's best-known non-profit hospitals in May 2005, issued a summary of responses and held a hearing in September 2006, received a discussion draft of potential legislative reforms from his staff in July 2007, convened a roundtable to discuss the potential reforms in October 2007, wrote to two hospitals in 2008, and intends to continue to write to individual hospitals as needed. Separately, today the Internal Revenue Service (IRS) released a report summarizing responses from almost 500 tax-exempt hospitals to a May 2006 questionnaire about how they provide benefits to the community. Grassley made the following comment on today's IRS report.

"I appreciate the effort that went into this study, both from the IRS and the participating hospitals. The data in this report offers more information to supplement what we've already learned. I'm disappointed that the IRS didn't provide guidance to the hospitals on how to define community benefit and uncompensated care, so the numbers are likely to be overstated in some cases. I'm also disappointed that the study does not include data on for-profit hospitals' level of uncompensated care and other community benefits and compensation. That information is necessary to understand how non-profits are different from for-profits. I intend to ask the IRS to conduct a study like that so we'll have a full picture.

"The tremendous advantage of tax-exempt status, and the ability to raise capital through tax-deductible contributions and tax-exempt bonds, puts non-profit hospitals in a position to provide health care to people who otherwise can't afford it. In fact it's that public good that justifies the tax-exempt status. Neither the IRS nor Congress has done a

very good job when it comes to establishing the criteria for enjoying this tax status since the IRS scrapped charity care for its community benefit standard in 1969. The Treasury Department could do a lot of good, and probably more quickly than Congress, by re-establishing those charity care requirements, and if it looks like that can't get done, then Congress will have to step in."